

Submission to the Commission on Taxation and Welfare

January 2022

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1. Introduction

Revenue's mission is to serve the community by fairly and efficiently collecting taxes and duties and implementing customs controls.

Revenue's role is the administration of the tax code. We welcome the opportunity presented by the Commission on Taxation and Welfare to make this submission. In it, we set out our vision of how the administration of taxation, and its interaction with the welfare system, can be enhanced for the good of the community through the creation of a truly taxpayer-centric model of administration. Our primary objective is to maximise the extent to which individuals and businesses voluntarily comply with their tax and duty obligations. We aim to support this objective by developing systems and processes that build trust in our administration through enhanced openness and quality of service. This minimises compliance costs for all taxpayers while also reducing risks of non-compliance, whether accidental or deliberate. Making compliance easier while 'designing out' non-compliance, where possible, also enables Revenue to better balance its resources to robustly tackle egregious abuse, evasion or avoidance.

Achieving this will require us to invest in digital technologies to increasingly move towards a model of 'natural' taxation, integrating taxation into business processes and taxpayers' life events. Our vision aligns with that set out in the OECD's Tax Administration 3.0¹ and is based on our own experience of decades of harnessing technologies to improve the administration of tax, most recently with the modernisation of PAYE and our administration of support schemes during the COVID-19 pandemic.

Our submission focuses on tax administration, reflecting Revenue's statutory remit as Ireland's national body for the administration of tax and customs. In general, we have not commented on matters of taxation or welfare policy, except where such policies impact directly on the taxpayer experience and our capacity to administer this optimally.

2. Executive Summary

In this submission, we outline our vision for a taxpayer-centric model of administration, that enjoys the trust and support of all stakeholders, including policy makers, personal and business taxpayers, tax intermediaries, and domestic and international partner agencies.

In Section 3, we outline the key attributes of a tax code and system of administration that achieves this, and how we can embody these attributes into our tax administration.

These are that:-

Tax and duty obligations should be **easy to comprehend and easy to comply** with. This requires us as a tax administration to provide excellent supports and information across a range of channels to meet taxpayers' diverse needs.

Compliance with tax obligations should be **convenient and efficient**. Taxpayers should be able to meet their obligations at a time and in a manner that accords with their needs and pressures,

¹ [OECD \(2020\), Tax Administration 3.0: The Digital Transformation of Tax Administration.](#)

subject to compliance with statutory requirements. The incremental burden of meeting these obligations should be minimised to the greatest extent possible. Natural taxation models, which embed taxation into everyday business processes and economic activity, achieve this by reducing or eliminating post-transactional tax reporting obligations.

Tax administration processes should be **real-time and data-driven**. Taxation that occurs in real-time as taxable events arise will minimise the build-up of liabilities for taxpayers and help reduce the risk of non-compliance. Cross-Governmental data sharing and optimal exploitation of data will enable Revenue to support taxpayers in meeting their obligations through real-time presentation of emerging liabilities and pre-population of returns. Data optimisation will also enable Revenue to focus its compliance activity effectively and where warranted, thereby minimising intrusion on compliant taxpayers.

Taxation should be **certain**. All taxpayers, whether individuals or businesses, require certainty to enable them to plan their affairs and understand their financial position. Real-time taxation will enable taxpayers to be constantly aware of their tax position. For example, changes to when social welfare payments are taxed can prevent the build-up of unexpected year-end liabilities which can be very disruptive to household budgeting.

Tax administration should be **open and trusted**. Transparency to each taxpayer about their own tax affairs is a primary builder of trust. Openness of tax administration processes is also a key step in building the trust that underpins voluntary compliance.

Tax administration should both facilitate voluntary **compliance** and address non-compliance. Digitalised natural taxation can make compliance easy and seamless, but it can also work to significantly reduce risks of non-compliance, whether accidental or deliberate.

Building on these attributes, we set out how the next stages of modernisation can be advanced. In Section 4 we address the key enablers that are necessary to support the realisation of this vision, and we briefly summarise the nature of the implementation journey, recognising the key role of all stakeholders in making the vision a reality.

The key enablers are:-

An Administrable Tax Code: The tax code should continue to be developed in response to a changing society, changing business models and changing technologies. The Department of Finance is responsible for legislation to underpin any modernisation, and we acknowledge the continuing work of the Department to maintain and advance the code through successive Finance Acts.

Further Investment in Modernisation: The implementation of digital natural taxation will require significant investment in the development and ongoing upkeep of Revenue's core IT systems, including the migration to real-time systems. These investments will not only greatly facilitate business and economic activity in Ireland but will also help to maintain our country's international reputation as a great place in which to do business.

In addition, a modern flexible digital platform for tax administration will greatly enhance Revenue's ability to implement emerging Government policies, as demonstrated by our use of the PAYE system as part of the national response to COVID-19.

Closer Integration between the Administration of Tax and Welfare: There is excellent cooperation between Revenue and the Department of Social Protection (DSP). However, there are elements of

the structure of administration, including how welfare benefits are taxed and how differing forms of worker engagement are treated for tax and welfare purposes, that result in a lack of clarity and certainty for taxpayers. Addressing these issues will, we believe, be a significant step towards the overall vision of a clear, certain, efficient and transparent taxation system.

Conclusion

Revenue aims to ensure that all taxpayers, whether corporate or individual, pay the right amount of tax at the right time, as easily as possible. The modernisation agenda outlined in this submission is intended to achieve that aim and to sustain it into the future.

We believe that this review of the tax and welfare systems by the Commission is a once in a generation opportunity to step back and take a strategic view of how the system works and the opportunities to develop it to meet the challenges we face. Our submission concentrates on the administration challenges posed for Chapter 9 of the Commission's Report. Critical issues are the opportunities for enhanced digitalisation, implementing the direction set out in Tax Administration 3.0, and the successful implementation of the administration challenges to meet Ireland's developing international obligations.

The interaction of the tax and welfare systems has significant implications for much of the population. Changes to the process and timing of the taxation of social welfare payments have the potential to greatly simplify and ease the burden of tax compliance for vulnerable members of our society.

3. Revenue's Vision of a Modernised Tax Administration

Revenue's vision for the future of tax administration in Ireland is driven by our goal of a truly taxpayer-centric model. By pursuing that overriding goal, we aim to maximise openness and trust in our tax administration, minimise compliance costs to taxpayers, achieve even stronger compliance levels, deliver more efficient administration, flexibly support the implementation of emerging Government policies, and continue to meet our international obligations.

Revenue strongly supports the analysis and conclusions of the OECD's *Tax Administration 3.0: The Digital Transformation of Tax Administration*. The vision of seamless 'natural' taxation set out in *Tax Administration 3.0* is undoubtedly ambitious, but we consider that it is also entirely achievable for tax administration in Ireland.

3.1 Progress on Tax Administration Modernisation

Our vision for future tax administration involves harnessing new technologies and advances in data management. Tax administration in Ireland has been undergoing continuous modernisation and innovation for several decades. [Figure 1](#) below shows just some examples of that progress, focusing on digital innovation and major changes, including:

- Significant changes to key elements of tax administration, such as the introduction and refinement of Self-Assessment, the implementation of Pay & File, and the move to a calendar year basis for income tax;
- The introduction of online services for taxpayers that were unique in an Irish public service context, such as Revenue Online Service (ROS), PAYE Anytime and myAccount, as well as the introduction of Local Property Tax in 2013 which was the first tax administered in Ireland on a primarily digital basis from the outset;
- The implementation of real-time systems, including PAYE Modernisation, that make tax compliance a by-product of business administration;
- The implementation of a modern electronic national import system to assist traders deal with the Customs related consequences of the UK's departure from the EU;
- The implementation of extensive internal administration systems for service delivery and compliance activities, such as the Integrated Taxation Processing, Integrated Business Intelligence and Risk Evaluation Analysis and Profiling systems;
- Ongoing investment in our underlying infrastructure to support those systems.

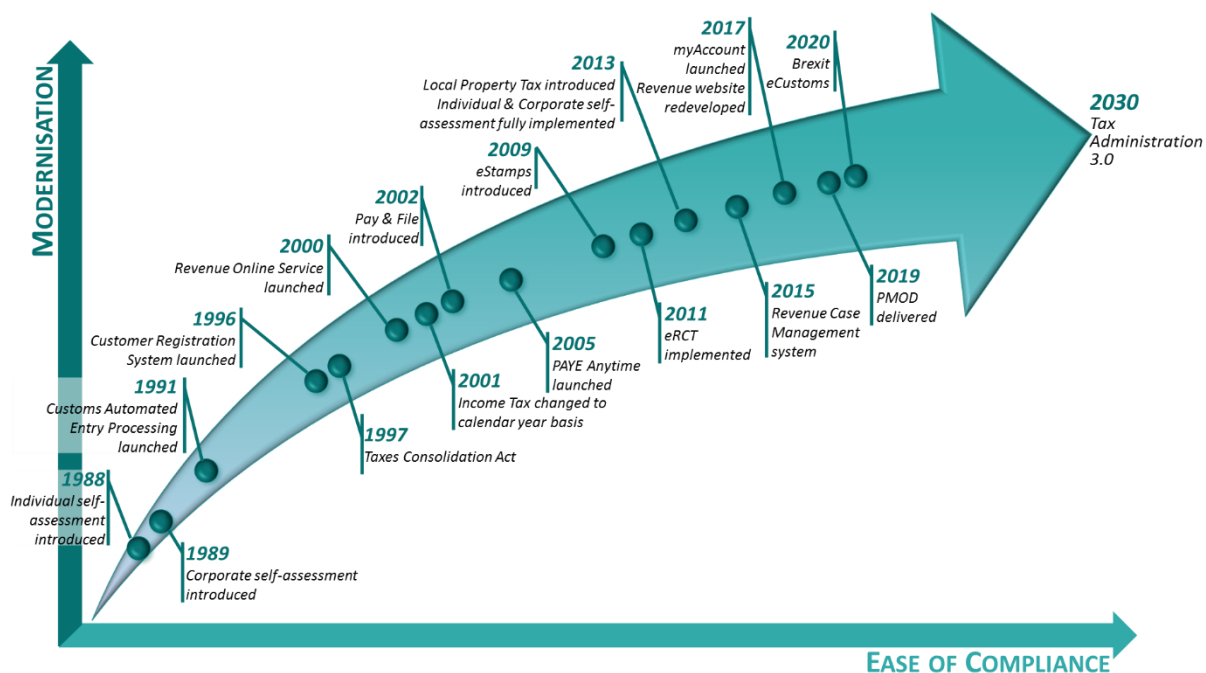


Figure 1

DIGITAL TRANSFORMATION – PAYE Modernisation Example

Revenue's implementation of PAYE Modernisation (PMOD) in 2019 was another key milestone in the modernisation of our tax administration and is noted in the Commission's Terms of Reference. PMOD has proven that a programme of process re-engineering, digitalisation and automation can be used to radically change long-established tax administration models for the better. Using a co-design approach with external stakeholders, PMOD integrated the process of reporting and deducting PAYE, PRSI, USC and other deductions into employers' normal payroll processes, making tax compliance a natural by-product of a routine business function. The value of the PMOD model, and of the investment in the underlying technology that enabled the model, was further proven by our response to the COVID-19 pandemic. Revenue's agility in re-engineering our tax collection systems to deliver vital wage subsidies within a matter of days was only possible because of that investment.

A guiding principle for our modernisation programmes has been that the easier it is for taxpayers to comply, then the greater the capability of Revenue to administer the tax system effectively and efficiently, and support the economy. Internationally, Ireland's tax system has consistently been ranked as one in which the cost and burden of tax compliance is lowest.² This strong tax administration capability extends to our reliability and performance as a partner in international and EU administrative procedures, as assessed by peer review programmes.

However, while the compliance burden on taxpayers has reduced over time, with related efficiency and effectiveness improvements in our tax administration, developments in digital technology present us with opportunities for a further significant step forward in how we administer taxation. This will lead to more efficient administration, lower compliance costs and better compliance outcomes, furthering Ireland's reputation as an excellent place to do business.

² Internationally recognised reports such as [PwC Paying Taxes 2020 Report](#).

Ireland's Tax and Customs Administration is highly regarded internationally, but rapid change in technologies and business practices means that we cannot stand still if we are to sustain delivery of our mission into the future and maintain Ireland's position amongst the highest ranking countries for ease of doing business. The further modernisation of our administration of taxes and duties is an imperative for Irish taxpayers, whether individuals or businesses, and for the continued reliable collection of Exchequer funding. A modern and evolving economy needs a modern tax administration to support it.

3.2 International Tax Agenda

Revenue has a strong track record in meeting Ireland's obligations to our international counterparts under OECD, EU and bilateral cooperation and reporting frameworks. As Ireland's tax administration, it is imperative that Revenue continues to prioritise the administrative changes necessary to deliver the comprehensive response required to international tax developments.

We are currently fully engaged in the process of completing the detailed agreement and implementation framework for the OECD Inclusive Framework's fundamental reforms of the global corporate tax architecture.

These changes in the taxation of corporate income, including the 15% minimum rate and the reallocation of profits to market jurisdictions, will need to be carefully integrated into the current structure. They will have a significant impact on *where* multinational enterprises pay tax and *how much* they pay in each jurisdiction. The complexity of these global changes and the speed at which they are being introduced will present challenges for taxpayers and tax administrations alike.

The increasing reliance on financial accounting data under the new measures will offer opportunities for enhanced reporting systems and for automatic exchange of tax returns between relevant tax administrations. For example, while the detailed rules for implementing the partial reallocation of multinational enterprise (MNE) profits to market jurisdictions are not yet agreed, it is envisaged that an MNE will file a single tax return with a single *lead* tax administration, for onward transmission to the tax administrations of the market jurisdictions that will become entitled to a portion of its consolidated global profits.

We envisage that, in keeping with our vision for future tax administration, the principles set out in this submission for a taxpayer-centric model of tax administration, underpinned by highly efficient digital data interchange, will also apply where possible in the implementation of the new international tax arrangements.

To deliver these fundamental changes successfully, Revenue will—

- liaise closely with the Department of Finance to support the development of the necessary legislation to fully implement EU and international agreements;
- pursue substantial mitigation of the additional compliance burdens – and greater certainty – for taxpayers, as the detailed implementation framework for these changes is negotiated;
- develop efficient digital data interfaces, supported to the greatest extent possible by integration with enterprises' 'natural' accounting systems, to minimise the impact of additional reporting requirements; and
- provide clear guidance to taxpayers on the operation of the new rules.

3.3 Taxpayer-Centric Model

Our vision for future tax administration in Ireland is essentially the full implementation of a secure truly **taxpayer-centric model**, with five key elements that are inter-linked, as shown in Figure 2.

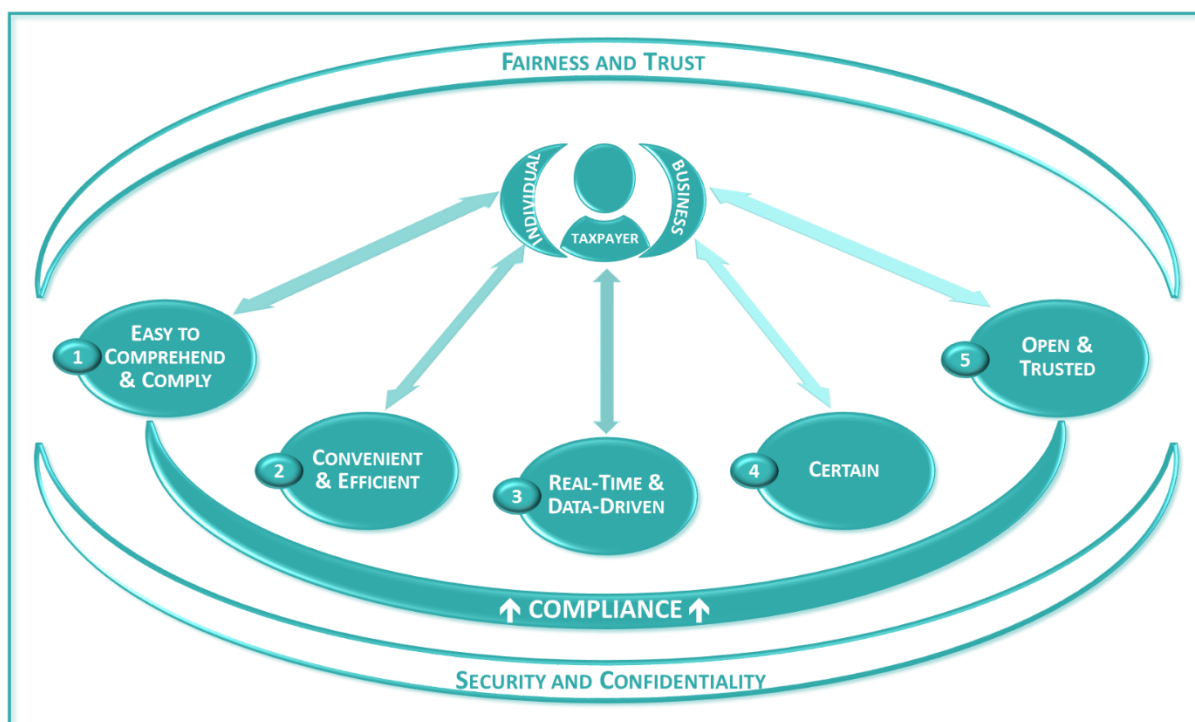


Figure 2

Each of the five key elements is described in more detail below, along with specific illustrative examples of what tax administration modernisation would mean in practical terms.

These examples describe what could be possible in the future. However, we have already proven how this type of digital transformation can be delivered, through the successful implementation of initiatives such as eRCT, eStamping and most recently PMOD.



In a taxpayer-centric tax system, it should be easy for taxpayers to understand their own tax obligations and how to comply with them. This does not necessarily mean that all taxpayers need to understand the entire tax code. However, each taxpayer does need to understand their tax status and entitlements, as well as their tax obligations and how to fulfil these in the context of their particular circumstances. We want to continue to design compliance into the tax system, making it as easy as possible for taxpayers to pay the right tax at the right time, while minimising the risk of either accidental or deliberate non-compliance.

This should hold for all taxpayers, including individuals and small business owners, and not just for high wealth individuals or large enterprises with access to professional tax advice. In essence, we want to make the model of tax administration as straightforward as possible for all taxpayers.

Revenue invests heavily in providing information to taxpayers and tax professionals to explain tax entitlements and to support compliance, via our website and other publicly available materials. This information is tailored to the needs of different audiences. An important part of our role is to explain sometimes complex tax rules in as straightforward a way as possible to guide taxpayers through their obligations. The increasing diversity of Ireland's taxpayer population is a key consideration for us. Equally, we provide comprehensive information to tax agents and practitioners to ensure that they understand our tax administration procedures and our interpretation of the legislation.

Taxes that are clearly explained and that are easier for the taxpayer to understand are also more efficient to administer. Taxpayers are much less likely to need to contact the Tax Administration if they understand their tax status, saving the taxpayer time and effort as well as improving the efficiency of the administration of tax.

Minimising complexity makes it easier for taxpayers to be satisfied that they are being treated fairly in the administration of their tax affairs, thereby sustaining trust in tax administration and in public services more broadly. Reduced complexity, and associated compliance costs, will also have a positive impact on the competitiveness of business taxpayers, and indeed of Ireland's overall competitiveness as a location for business.

Making tax administration easier to comprehend requires that rules, processes, structures and information are reviewed on an ongoing basis to ensure they are as straightforward and up to date as possible. Ongoing modernisation of the tax code will enable digitalisation of tax administration systems, making further implementation of natural taxation more achievable. However, as discussed in 4.1 below, we recognise that a modern tax code that serves multiple public policy objectives will always have some complexity.

Making tax EASY TO COMPREHEND & COMPLY – CAT Modernisation Example

Capital Acquisitions Tax (CAT) is a once in a lifetime experience for many taxpayers and can arise at a difficult time in an individual's life, such as following a bereavement.

Currently, the filing of a return and payment for a taxable event can take up to 22 months from the actual event date, and it can involve a minimum of four interactions by a taxpayer with various Government agencies and their differing systems. This can be particularly daunting for taxpayers who rarely interact with this tax.

Modernisation of CAT will involve:

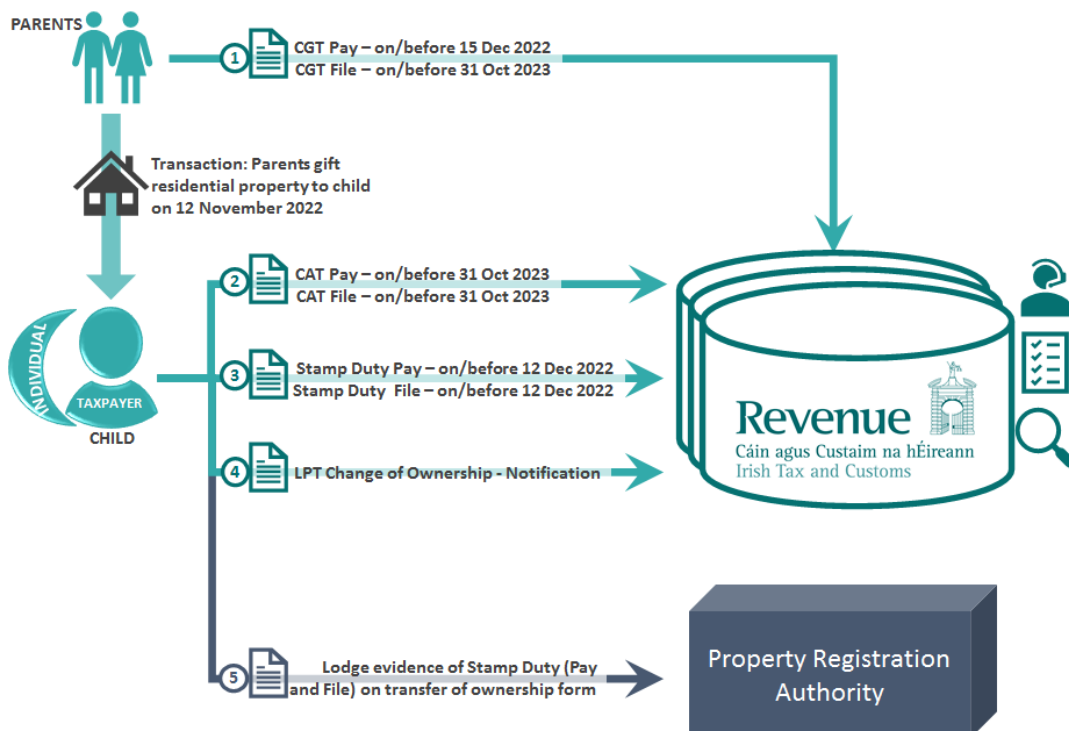
- Legislative change
- Investment in systems development
- Cross-Government collaboration
- Stakeholder engagement.

Revenue's vision for the modernisation of Capital Taxes is to make the process much more straightforward and understandable for taxpayers, by aligning the payment and filing of tax with the taxable event, within a single integrated process. The taxable event in this case is the transfer of assets between two or more persons. Building on the model for the online Statement of Affairs (Form SA.2) developed between Revenue and the Probate Office, Revenue's vision is that taxpayers would only need one Government touchpoint to meet all of their obligations for this taxable event; that is, a single transaction would be enough to file their return, pay their tax and update all relevant Government systems, including taxation systems (Capital Acquisitions Tax, Capital Gains Tax, Stamp Duty, Local Property Tax) and other Government agency systems (for example, the Property Registration Authority records).

In the future, a new online eCapital Taxes Portal could be used by taxpayers to report the 'full suite' of their capital taxes events. This approach would be far easier for taxpayers to understand and complete than the current multi-step model.

Making tax EASY TO COMPREHEND & COMPLY – CAT Modernisation Example (continued)

Now



Future

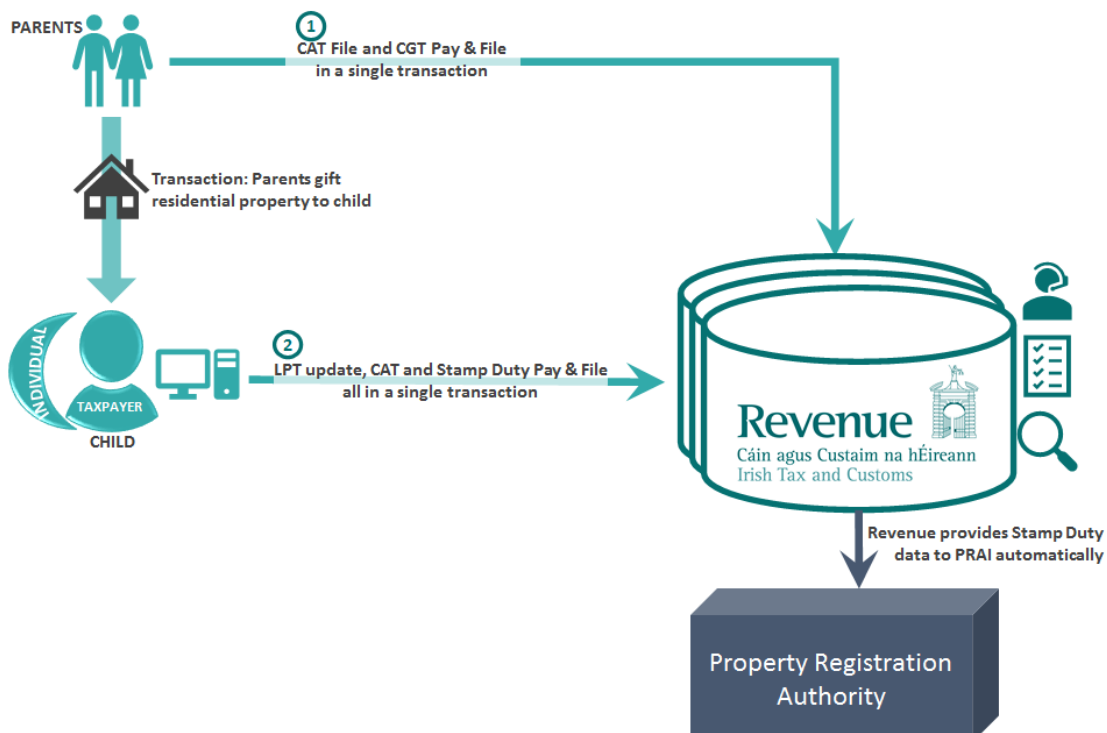


Figure 3



Individuals and businesses should have easy access to all public services, including tax administration. For most taxpayers, convenience means having access to self-service digital service channels at times that suit their lives and business models. This may include new, technology-enabled, self-service channels such as Virtual Digital Assistants. However, for some taxpayers, convenience will still mean having access to traditional service channels.

Regardless of service channel, an efficient taxpayer-centric model requires that the administrative burden and cost of compliance for taxpayers be minimised as far as possible. This can be greatly advanced through the further digitalisation of tax administration systems, so that taxation processes can be automated to the greatest extent possible with minimal levels of taxpayer initiation and contact. All relevant and available external updates and data, for example from other statutory bodies, should be leveraged to achieve maximum efficiency, for the benefit of both taxpayers and administration. This is in line with the Public Service Data Strategy 2019-2023 which sets out the Government's strategy on re-use of data and technology.³

This approach will build on Revenue's established policy of pre-filling tax returns for individuals and businesses to the greatest extent possible, contributing to increased levels of voluntary compliance and a reduced compliance burden for taxpayers. That policy dates back to the 1980s, when Revenue first introduced third-party data reporting, supporting both our service to taxpayers and the management of compliance. It is timely to review the nature of third-party reporting to ensure that its value is optimised, exploiting more recently available technologies. As an example, the reporting of financial account information under international agreements⁴ is now subject to higher and more consistent standards than that reported under our older domestic legislation. Aligning the domestic standards with the international standards will lead to more consistent and accurate outcomes. Consistent data reporting will be a crucial element in transitioning to a 'pay-as-you-go' model for self-assessed taxpayers (see below).

The successful implementation of the self-assessment model across many tax heads in recent decades shows that taxpayers themselves can be the primary and most suitable source of information on their own liabilities. The extension of the self-assessment model to other taxes, underpinned as necessary by real-time risk management, could provide greater convenience and efficiency, for both taxpayers and the tax administration.

Using the facilities already developed for PMOD, the option to develop real-time taxation of taxable social welfare benefits should be advanced, as outlined in Section 4.1. This will provide taxpayers with the correct net weekly payment from DSP by taking account of any tax due, thereby supporting the principle of 'right tax at the right time'.

Developments in the Financial Services and Fintech industries increasingly focus on providing cashflow management and budgeting services for the self-employed and SME sector. This provides Revenue with opportunities to work with the Fintech industry to develop services which allow such taxpayers to move to a pay-as-you-go model for self-assessed taxes rather than trying to ensure tax

³ [Public Service Data Strategy 2019 – 2023](#) - Office of the Government Chief Information Officer, Department of Public Expenditure and Reform

⁴ For example, EU Directives on Administrative Cooperation, OECD Common Reporting Standard, US Foreign Account Tax Compliance Act

liabilities can be met towards the end of the year. This approach provides for the tax to be paid when a taxable event occurs. An effective pay-as-you-go model would potentially eliminate the need for the current *Preliminary Tax* system, while allowing taxpayers to review their tax status on an ongoing basis.

Revenue will explore the options for implementing wider forms of withholding tax arrangements with the Sharing and Gig Economy Platform providers. This has the potential to greatly increase both the convenience and certainty of tax compliance for individuals with income earned through these platforms. Taxable events can be reported automatically by the platform provider, enabling tax and PRSI obligations to be met in a more efficient and streamlined way. It also facilitates the payment of tax due in a phased manner in line with when earnings actually arise (see also [Figure 5](#) below).

Similarly, modernisation of VAT reporting could be used to align VAT compliance requirements with the normal operational and financial systems of businesses, so that VAT reporting can be efficient and convenient.

Making tax CONVENIENT & EFFICIENT – Modernising VAT to align with ‘natural’ business processes

VAT is one of the largest yielding taxes in Ireland, with over a quarter of a million businesses registered and required to make regular returns to Revenue. Informed by the experience of successfully working with the business sector to reform the PAYE reporting system through the recent PMOD project, Revenue is beginning to explore the potential that a modernised VAT reporting system could offer taxpayers and tax administration by enhancing the efficiency, effectiveness and convenience of how the tax operates. In particular, the compliance burden for the large number of digitally-enabled businesses involved in the VAT system could be reduced by more closely aligning their tax reporting and compliance requirements with the outputs of their normal operational and financial business processes. This could reduce the time and effort required to comply with VAT obligations while increasing the accuracy of the reporting.

Worldwide, Tax Administrations are increasingly adopting reforms to VAT reporting and payment systems through increased digitalisation, real-time reporting, and other modernisation developments. Such reforms allow businesses get on with the work of doing business whilst at the same time ensuring that VAT reporting and payment seamlessly flows from the natural business processes as the VAT liabilities crystallise. Such initiatives can underpin the continued development of voluntary compliance by making it both easier for taxpayers to comply and harder for taxpayers to avoid complying.

Such reforms can help to reduce or eliminate unintentional reporting errors by enabling reports to flow securely from taxpayers’ accounting systems to the Tax Administration. They also assist in identifying errors at an early stage, thus facilitating earlier corrections (for example, in-year adjustments) thereby avoiding interest and penalty costs for businesses. A modernised VAT reporting system can also support the further development of risk tools in the fight against tax evasion by allowing the Tax Administration to focus its interventions on non-compliant taxpayers, whilst making it convenient and efficient for the compliant taxpayer to fulfil their VAT reporting obligations.

A well-designed and appropriately phased programme of VAT Modernisation is a priority on Revenue’s path to further improving the ease and convenience of tax compliance for the taxpayer and enhancing the effectiveness of tax administration. Of course, our approach will need to fit appropriately with developments at EU level, particularly the European Commission’s expected proposals in 2022 on future VAT reform. Over recent years, several Member States have already introduced various types of VAT reporting reforms in respect of their own domestic transactions, and the successes and lessons learnt from such experiences will usefully inform Ireland’s approach to VAT Modernisation.



In a truly taxpayer-centric model of administration, taxpayers' life events and business transactions should trigger automatic changes in their taxation status. This would mean transitioning away from the traditional calendar-based tax reporting cycle to a great extent. Instead of monthly, bi-monthly, quarterly and annual filing cycles, taxation should be 'upstreamed' so that liabilities, credits and reliefs are calculated, reported and processed when they are incurred or claimed, on a rolling basis.

Existing 'withholding' tax models, for example, Relevant Contracts Tax (RCT), could be extended to advance the goal of real-time event-driven taxation. A future model would include real-time access, via secure Revenue interfaces, to a taxpayer's marginal tax rate, or, where more appropriate, a 'Personal Effective Rate' that has regard to the impact of employments, credits, and so on. This real-time approach would ensure that amounts withheld are as close as possible to the actual tax due on the taxpayer's income. This could be integrated with other real-time tax data to provide every taxpayer with a continually up-to-date personalised overview of their tax position. This pay-as-you-go model of tax filing and payment would make compliance and payment much easier for self-assessed taxpayers in particular.

The model will also help to drive more timely and responsive assurance of data quality and accuracy. Incoming data from taxpayers, agents and third party platforms will be subject to real-time validation and accuracy checks within the Revenue interfaces, rather than being subject to retrospective verification checks.

Making tax **REAL-TIME & DATA-DRIVEN** – Real-Time Tax Credits Example

Currently, Revenue provides an online facility whereby PAYE taxpayers can claim tax credits and reliefs for certain qualifying health and nursing home expenses in real-time, by uploading the relevant receipts. Revenue updates the taxpayer's employer directly so that the increased tax credits are reflected in the next payroll payment. Revenue already plans to extend this model in 2022 to cover other qualifying expenses, such as utilities costs for remote workers. This facility is a further example of how the capability of PMOD has been directly leveraged.

This current model for Real-Time Tax Credits has already brought significant benefits for PAYE taxpayers, as they no longer need to wait to apply for a refund after the end of each year. However, Revenue's vision is that this model is a stepping-stone towards an even more streamlined real-time and data-driven model. Further real-time streamlining of tax credits will involve:

- Engagement with the relevant service providers
- Legislative change
- Investment in systems development
- Cross-Government collaboration.

In a future development, rather than being required to retain receipts and submit their expense details to Revenue, the taxpayer could pay a lower charge for the medical, pharmacy or utilities service at the point of payment. The provider would seamlessly calculate that lower charge by querying the taxpayer's personal status via a secure and responsive Revenue interface. Following the completion of the taxpayer's transaction, Revenue's systems would be updated promptly, so that the individual taxpayer can view their up-to-date tax position.

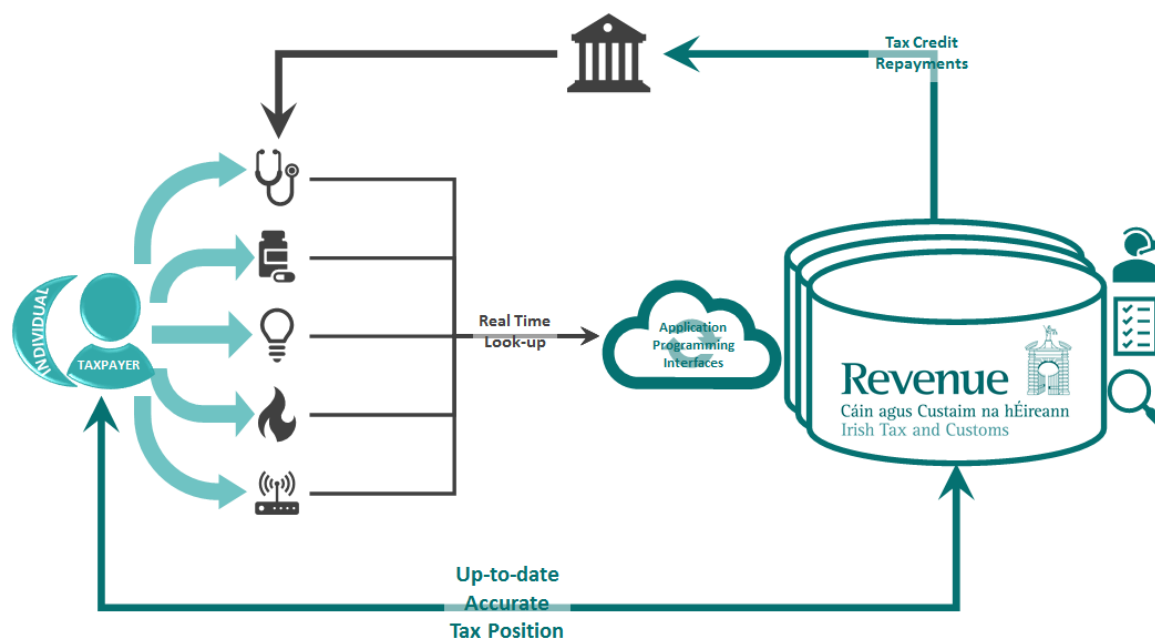


Figure 4



Taxpayers want certainty on their taxation and welfare status, and want to be satisfied that their tax position is correct, up-to-date and available to them in real-time. This taxpayer expectation already exists in 2022 and will become even more deeply-rooted in the coming years. The need for certainty extends to taxpayers who want assurance on their compliance and tax clearance status.

The recent introduction of Real-Time Credits for PAYE taxpayers, and the ongoing extension of this facility to other tax credits and reliefs, demonstrates that this certainty can be provided to taxpayers. PAYE taxpayers no longer need to wait until after the end of the tax year to ascertain their net liability and apply for a refund.

Providing more certainty to all taxpayers, and not just PAYE taxpayers, on their tax position in real-time depends on achieving a predominantly real-time data-driven model of tax administration. Changes in the underlying tax code will also be required to enable this.

Taxable social welfare payments frequently give rise to uncertainty for taxpayers as to what tax is due on such payments and when they will be obliged to pay it. While there are very strong data exchange arrangements between the DSP and Revenue, complicating factors such as time lags in the exchange of payments data, processes for handling changes in benefit amounts or the cessation of benefit payments can cause unevenness in the tax deduction arrangements. This leads to uncertainty and distress for taxpayers, and increased customer contacts for both Revenue and the DSP.

A more effective approach to the taxation of social welfare payments, would be for the DSP to operate in a manner similar to an occupational pension provider; that is, deducting tax from payments for their clients as they are made, based on that individual's personal tax credits and rate bands provided by Revenue. Adopting this approach for taxable social welfare benefits would provide greater ongoing visibility and certainty to taxpayers as to their tax position, and would largely eliminate the challenge of year-end tax liabilities which can be very disruptive to household budgets.

This integration of certain tax and welfare systems and processes would also allow for clearer and more certain pathways for individuals as their income transitions between social welfare support, employment income, self-employed income or indeed any combination of these at different stages of their working lives.

A further example is outlined below on how greater certainty could be provided to taxpayers operating in the 'gig economy'. The proposed EU Directive includes measures on the legal employment status of gig economy workers, as well as measures on the obligations of platforms to declare transactions to national authorities. The example below is for illustration purposes only, pending the final agreed text of this Directive.⁵ Separately, amendments to the EU Directive on Administrative Co-operation and a proposed OECD agreement will provide for automatic reporting and cross-border exchange of tax information in relation to the gig economy, ensuring that the model set out in [Figure 5](#) below, can operate effectively even where the platform operator is located in a different jurisdiction.

⁵ [EU Commission announcement of its proposals for a new Directive on improving the working conditions of people working through digital labour platforms](#) – 9 December 2021

Making tax CERTAIN – ‘Gig Economy’ Example

The number of self-assessed taxpayers who provide services via online platforms under the gig economy model has grown in recent years. These taxpayers can face significant uncertainty in their end-of-year liability. This uncertainty can be compounded by situations in which a mix of employed and self-employed income arises, with income supports potentially also being relevant.

Revenue’s vision is that these taxpayers could be taxed on a ‘pay-as-you-go’ basis, with net liabilities being calculated on a real-time basis, when services are ordered, provided and paid for via the platform. The platform would calculate the tax to be withheld from each transaction by querying the taxpayer’s personalised withholding status via a secure and responsive Revenue interface.

Delivering this model for these self-assessed taxpayers will involve:

- Engagement with relevant platform operators
- Legislative change
- Investment in systems development
- Cross-Government collaboration.

These self-assessed taxpayers would benefit from the certainty of this ‘know-as-you-go’ model, with further assurance provided to them via up-to-date online access to their full Revenue record.

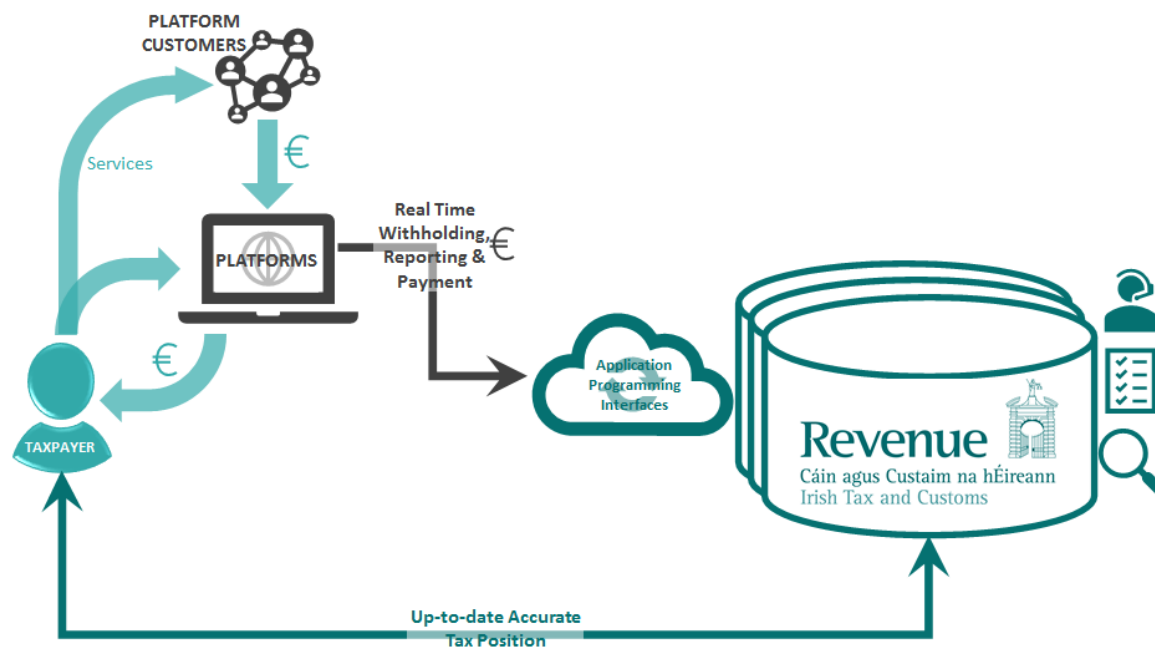


Figure 5



Taxpayers need visibility of the administration of their own tax affairs. This is critical to maintaining public trust in the administration of tax, particularly in the context of increasing automation and decreased human interaction. Visibility and transparency are also required so that taxpayers can exercise their data protection rights easily and conveniently.

Transparency of administration is, at all times, bounded by the need to respect the confidentiality of information relating to individual taxpayers. In contrast to some jurisdictions where tax returns are a matter of public record, Revenue upholds strict confidentiality in line with our obligations under the Taxes Consolidation Act 1997. This does not, however, in any way conflict with the development of increasing openness of process and transparency of information for properly authenticated taxpayers about their own tax affairs.

Revenue's approach is to facilitate taxpayers in viewing the data that Revenue holds about them, so that they can understand their own tax status and make corrections as needed. PMOD enabled extended online services to be provided to PAYE taxpayers via our myAccount service, so that they have access to their pay and all deductions reported to Revenue by their employer in near real-time, as shown in the example at the end of this section. Self-assessed and business taxpayers also have access to their own records via Revenue's Online Service.

Revenue's vision is that this approach should be extended to give taxpayers the greatest possible access to all of their own data held by Revenue, including data received from other public bodies and third parties, having regard, of course, to data protection concerns and international treaty obligations. If our overall approach, across the public service, to data reporting is based on the principle of 'ask once, use often', then we should be open with taxpayers in relation to how we receive, use and share data about them.

Our open approach to tax administration extends to all interested stakeholders. Revenue makes information about our administrative model readily available, including detailed operating procedures and manuals, relevant precedents, and technical opinions. This helps to ensure ongoing public confidence and trust that the tax administration system is fair and efficient. The long-standing Tax Administration Liaison Committee (TALC) and Customs Consultative Committee (CCC) structures have been a very effective means to provide clarity and insight to our external stakeholders on our approach to the interpretation and administration of the tax and customs codes. In turn, Revenue's understanding of the compliance challenges faced by taxpayers and their representatives has been enriched through the perspectives of TALC and CCC members. Revenue is committed to continuing this collaborative, productive and open approach to tax and customs administration.

Transparency extends to consultation and engagement with stakeholders being an integral part of the design and delivery of the programme of modernisation of our tax administration. There are many examples of where Revenue has actively sought the views of taxpayers, intermediaries and representative bodies before implementing change programmes that impacted their interaction with the organisation.

We are also ever more transparent in how we provide information for policy makers and other stakeholders. Revenue regularly publishes an increasing volume of data, accredited Official Statistics, and research on tax receipts and costings of tax policy. We publish these in an accessible and

convenient manner in the Statistics⁶ and Research⁷ areas on our website, using Open Data formats where feasible. Our Open Data outputs are jointly published on the National Open Data portal. Furthermore, we are committed to continuing to play a key role in the development of Ireland's National Data Infrastructure, particularly through our collection of Eircodes, the introduction of the Unique Business Identifier and our partnership with the Central Statistics Office.

Making tax OPEN & TRUSTED – PAYE Taxpayer Example

This screenshot shows how PAYE taxpayers already have access to the information that their employer has reported to Revenue on their pay and all deductions, in near real-time via our secure online myAccount service. This provides detailed visibility to PAYE taxpayers of their individual tax affairs.

Payroll submission

These are the details as submitted to Revenue.

Job or pension details

Company ABC

Employer/pension provider's name: Test Name Tést Name

Employer/pension provider's number: 0000022J

Employment ID: 1

Pay frequency: Weekly

Reference details ⓘ

Payroll run reference: PR-20220112-1555424

Submission ID: 1

Line item ID: 1

Other pay and deductions

No other pay and deductions

Pay and deductions

Pay date: 03/01/2022

Gross pay: €50,000.00

Pay for Income Tax: €50,000.00

Income Tax paid: €5,000.00

Income Tax calculation basis: Cumulative

USC status: Ordinary

Pay for USC: €50,000.00

USC paid: €500.00

PRSI exempt: No

PRSI classes

PRSI class: A1

Number of insurable weeks: 1

Pay for employee PRSI: €50,000.00

Employee PRSI paid: €50.00

Pay for employer PRSI: €50,000.00

Employer PRSI paid: €50.00

Other payments

Payment type: Temporary Wage Subsidy Scheme (TWSS)

Amount: €350.00

Print

Figure 6

⁶ Statistics published by Revenue: <https://www.revenue.ie/en/corporate/information-about-revenue/statistics/index.aspx>

⁷ Research published by Revenue: <https://www.revenue.ie/en/corporate/information-about-revenue/research/index.aspx>



Implementing the vision of a truly taxpayer-centric model, as outlined in this paper, will result in stronger and more efficient service delivery, and also enable more robust and focused risk management to address non-compliance. Any steps that are taken towards making voluntary compliance easier for taxpayers also

make it easier for Revenue to address non-compliance.

- A simpler model of tax administration will be much less vulnerable to deliberate abuses and tax avoidance.
- A simpler model will also give rise to fewer inadvertent errors and resulting unintentional non-compliance.
- Event-driven and real-time taxation will make it harder to circumvent paying tax in the first place. Risk monitoring systems will also identify and evaluate risks sooner, to identify the related interventions that are required.
- Natural taxation, through integration with businesses' systems, will provide scope to assess compliance levels across different business models, including new and emerging business models.
- Integration between tax administration systems and businesses' 'natural' systems will provide useful insights into economic activity to identify potential non-compliance across tax heads. Because of the PMOD reforms, such insight is now possible in relation to employment trends, and through a VAT modernisation initiative, for example, it could become possible in relation to business sales and consumption.
- The concept of 'Whole Case Management', where Revenue treats a taxpayer's affairs on a comprehensive rather than on a tax-by-tax basis can be greatly advanced. For example, data on imports that is received for Customs purposes can be leveraged for use in risk assessment related to VAT and Corporation Tax, particularly given the greater volume of data available due to the UK being a third country.
- Obligations to Tax Administrations in other jurisdictions will be more easily fulfilled, supporting their processes to address non-compliance. The recent example of Revenue's implementation of the EU-wide eCommerce reforms shows how a simplified and IT-enabled administrative process can facilitate the business sector and support easier compliance. Under the new arrangements, businesses who are trading cross-border can opt for a 'one-stop shop' facility through which they need register for VAT in only one Member State, and file all their returns and VAT payments with that single Tax Authority who collects on behalf of the other Member States.
- Accurate and up-to-date Revenue data will continue to be an important input for compliance and enforcement in other spheres, such as Anti-Money Laundering.

4. Achieving the Vision of a Modernised Tax Administration

Revenue's vision for the modernisation of our tax administration is ambitious but we have identified a clear pathway to make that vision achievable.

Revenue's vision for tax administration in Ireland is firmly aligned with the vision of the OECD's best practice guidance articulated in *Tax Administration 3.0*, and Revenue was an active participant in the Forum on Tax Administration (FTA) discussions that led to the paper. The change from the current as-is model to the future to-be model is summarised in the chart in [Figure 7](#), extracted from *Tax Administration 3.0*.

Towards Tax Administration 3.0



- Forms driven (electronic & paper)
- Periodic, historical, aggregated data
- Manual, slow & costly
- Retrospective risk treatment
- Disconnected ecosystems



- Data driven
- Event based, detailed & real-time data
- Enables validation & automation
- Enables assured data
- Interoperable ecosystems
- Enables international co-operation

Figure 7⁸

The transformation required to achieve this vision is crucial, given the demographic changes ahead in Ireland, rapidly evolving business models, and the drive to harness technology opportunities. We have already demonstrated that the key elements of that vision can be delivered, as evidenced by the successful implementation of separate reforms and initiatives, such as PMOD. Implementing this vision is necessary to ensure that we can sustain the effectiveness of our tax administration into the future.

⁸ Image taken from *Tax Administration 3.0*.

4.1 Foundational Enablers

Comprehensive transformation of Ireland's existing tax administration, to achieve the vision of a truly taxpayer-centric model, will depend on three fundamental enablers.

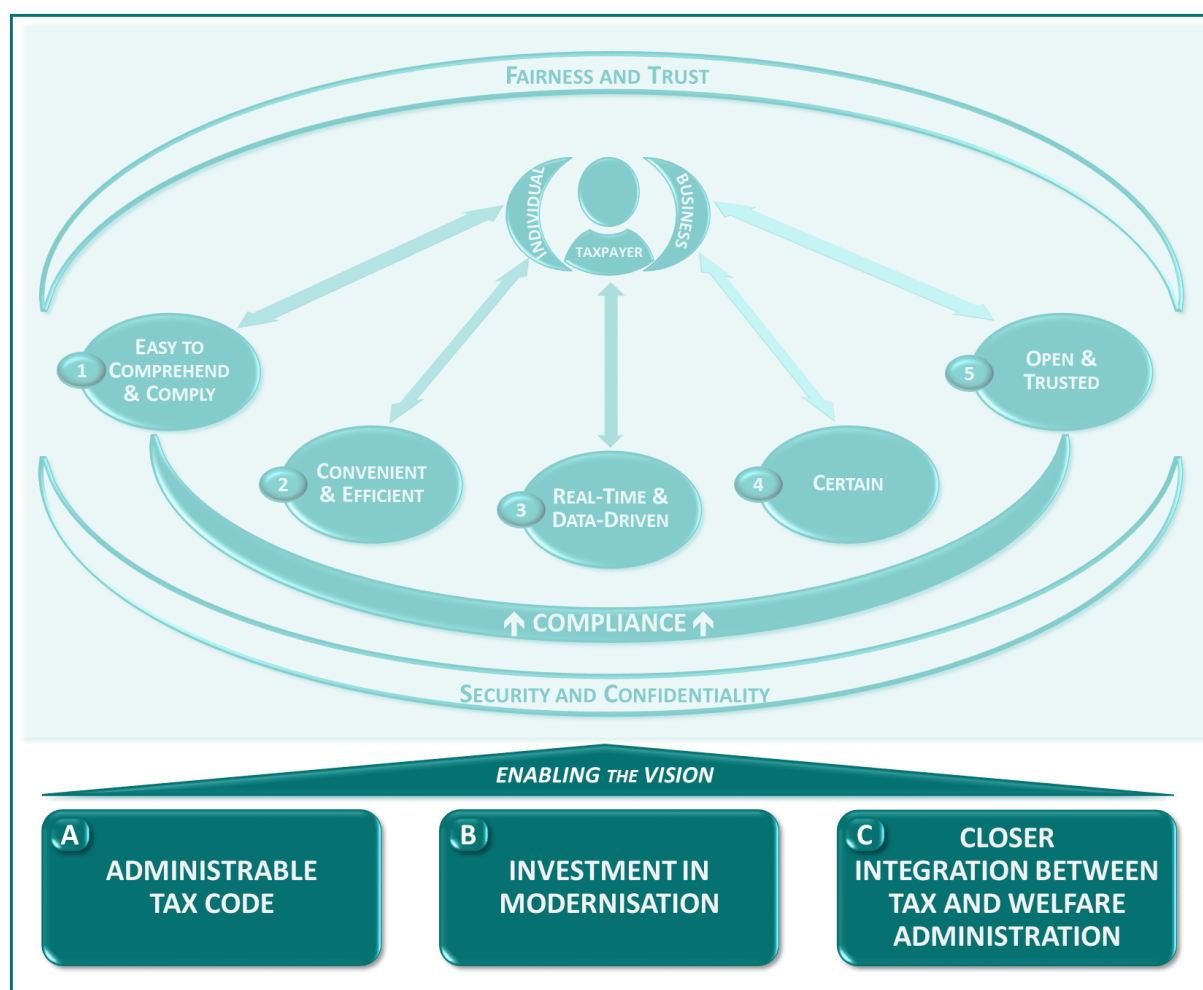


Figure 8

A ADMINISTRABLE TAX CODE

Revenue acknowledges that two main purposes of any taxation system are to act as a source of funding for Government expenditure generally and to support the achievement of particular public policy objectives, such as the stimulation of targeted economic activity or the incentivisation of behaviour changes. We recognise that these objectives, coupled with the elimination of opportunities for abuse of reliefs or the evasion or avoidance of taxation, bring a necessary level of complexity. While recognising this, it is important to continue to simplify the tax code to the greatest extent possible, so as to maximise certainty and minimise the costs of both compliance and administration.

The legislative framework for a multi-national corporate conducting its business activities in multiple locations, domestic and overseas, will be very different to the framework for an individual whose

sole income source is employment income taxed through the PAYE system. However, even with the simplified tax arrangements for a PAYE taxpayer, achieving certain policy goals can give rise to significant complexity. For example, the calculation of an individual's weekly payroll deductions of tax, USC and PRSI are based on different concepts, namely 'gross pay for tax purposes' and 'gross pay for USC/PRSI purposes'. These different amounts have then to be reflected on the employee's payslip and other documentation, leading to challenges of understanding on the taxpayer's part. While certain complexity in the tax code is unavoidable, in some instances policy goals can still be achieved without significantly increasing legislative (and related administrative) complexity and due regard should be had to getting this balance right.

The current differing models of taxation (including welfare contributions) of employed and self-employed persons have the unintended consequence of influencing business decisions that should be fiscally neutral. The existence of different regimes for relief of expenses, coupled with differing social welfare treatment, is seen as a key influencer in the decision whether to engage persons on the basis of a contract of service or a contract for service. This leads to considerable friction in both the tax and social welfare systems, for example disputes regarding employment status. Furthermore, many individuals now earn a mix of employed and self-employed income. Such persons face a complexity challenge in managing the correct treatment of different aspects of their income. A Tax and Welfare Code which treats all forms of earned income equally, would reduce complexity, compliance burden and opportunities for arbitrage between treatments.

The tax code and its administration also need to continue to take account of the taxation of emerging and future business models, including taxation of crypto-assets and the use of crypto-currencies in the economy. Employment and contracting models are also changing rapidly, from the trend for gig economy services to remote working beyond national borders. Structures for fair and efficient taxation of those changing models will be a challenge in the near-term.

Tax legislation is a critical lever to achieve a truly taxpayer-centric model. Delivery of key elements, such as event-driven and real-time taxation, digitalisation and automation, and providing certainty and transparency for taxpayers can only be achieved with the enactment of appropriate legislation.

B INVESTMENT IN MODERNISATION

In principle, Revenue concurs with the view noted in *Tax Administration 3.0* that achieving the modernisation vision can best be done by taking large steps. A future-fit vision for tax administration cannot be achieved opportunistically; instead, a comprehensive transformation programme needs to be undertaken. The *Tax Administration 3.0* paper also highlights that this transformation is urgent.

Given the urgency and scale, Revenue's view is that significant investment will be required over the next several years to deliver this transformation of tax administration. This investment will cover:

- Extensive engagement with business software providers, representative bodies and other stakeholders;
- Expertise and specialist resources to support the Department of Finance in reviewing and designing the relevant legislation, to enable the taxpayer-centric and real-time model outlined in Section 3;

- Far-reaching business process re-engineering to achieve the simplest model and greatest efficiencies possible;
- Technical architecture redesign and systems implementation to deliver digital services and take advantage of technology advances, as well as the associated ongoing renewal and upkeep of those critical systems;
- Effective communications and education programmes covering all taxpayer groups to maintain public trust and ensure that benefits are realised.

In keeping with Revenue's approach to date, the fundamental redesign of business processes and technical architecture to enable tax administration modernisation will be underpinned by the principles of Data Protection by Design and Security by Design from the outset.

Pragmatically, we will need to advance the modernisation of our tax administration on a phased basis, ideally aligned with an ongoing programme of review of the tax code for administrability and simplification. Therefore, this investment could likely be spread over several years. However, we foresee that progress can be made across many fronts simultaneously within that phased approach.

A current priority for Revenue is our Technical Refresh programme, encompassing taxpayer-facing online services, internal administration systems and Revenue's extensive underlying infrastructure. Revenue's progress in delivering this enabling programme will require ongoing resources and funding.

C CLOSER INTEGRATION BETWEEN TAX AND WELFARE ADMINISTRATION

The positive impact of this transformation will be greatly magnified through much closer integration between taxation and welfare administration. Indeed, a truly taxpayer-centric approach for individuals and employers, and therefore real transformation, can only be achieved with that closer integration.

Revenue foresees several service quality and delivery improvements leading from that closer integration between taxation and welfare administrations, as follows.

- Deeper process integration in real-time would allow for greater alignment of an individual's taxation and welfare status on a daily real-time basis. This would avoid the need for an individual taxpayer to contact both Revenue and the Department of Social Protection (DSP) to clarify their position. Automated updates and processing triggered by an individual's life events, would represent a coordinated and taxpayer-centric public service. The scale of Revenue's and DSP's combined customer base, including the changing age profile of that base, means that the potential benefits of this change to real-time processing would be significant.
- Closer integration between taxation and welfare administration would provide greater protection and continuity of income to individuals experiencing changes of circumstances, particularly the vulnerable. Currently, financial hardship can arise from delays in income replacement eligibility confirmation, incorrect tax deductions or the accumulation of unexpected end-of-year tax liabilities, such as arise for carers and arose for persons in receipt of the Pandemic Unemployment Payment in 2020. These could be avoided through

DSP acting in a similar manner to an occupational pension provider or comparable service provider; that is, applying taxation rules to ensure correct real-time processing of an individual's tax status and collection of liabilities as they arise. Revenue's technology and expertise could be leveraged to achieve this change.

Integration of certain tax and welfare systems and processes (including further use by DSP of the Revenue Online Service Public Key Infrastructure and Revenue's greater use of MyGovID for authentication purposes) would allow for clearer and more certain pathways for individuals as they navigate between social welfare supports, part-time work, full-time work, full or partial self-employed income, and so on, at different points in their working lives.

- iii. As noted under the previous enabling pillar, closer integration between the tax and social welfare systems can help eliminate unintended fiscal consequences attaching to employment or engagement decisions. This will also assist with addressing a key driver of bogus self-employment or misclassification of employment.
- iv. Some of the improvements outlined above would be even further amplified through the streamlining and simplification of the current PRSI contribution model to align it with the basis for income tax. This would address the current challenge for employers whereby they need to take account of the entirely different concepts of insurable weeks and taxable periods. While Revenue does not under-estimate the scale of this reform, this would bring service and efficiency benefits in their own right, for individuals, for employers, for DSP and for Revenue. Compliance with a streamlined model would also be much simpler to monitor and enforce.
- v. Stronger integration between welfare and taxation administration systems would provide a useful precedent for process integration with other statutory bodies, and Revenue will continue to collaborate with other Government agencies on this integration, in line with Government policy. For example, there may be service improvements and positive implications for a wide range of people through integration with vocational and third level training systems, schemes and strategic initiatives; with the Courts Service where certain life events are recorded; and with the Companies Registration Office where certain business lifecycle events are recorded.

4.2 Delivery Roadmap

Revenue recognises that achieving tax administration modernisation will involve a multi-year phased delivery that will require a rigorous programme management and governance approach to ensure:

- strong decision-making on relative priorities and sequence;
- an open and consultative stakeholder engagement;
- disruption is minimised for taxpayers and ongoing administration to the greatest extent possible;
- effective budget and risk management structures.

Stakeholder Engagement and Impact

Revenue's view is that the implications of tax administration modernisation are overwhelmingly positive for taxpayers, and in particular for the majority of taxpayers who want to be compliant. If

further modernisation of the underlying tax code can be achieved, thereby unlocking the benefits set out in our description of the future taxpayer-centric model, then the implications of modernisation would be transformative for taxpayers.

However, Revenue does not under-estimate the commitment that will be required from stakeholders in the tax system to support the modernisation programme. The transformation of our Tax Administration can only be achieved through open engagement, collaboration and co-creation with taxpayers, tax policy makers, other parts of Government, tax intermediaries, and other private sector partners. In particular, tax intermediaries have important insights to share on how best to achieve greater convenience and efficiency in tax administration.

We are clear on the effort and goodwill that was required to win the commitment of 180,000 employers to make PMOD a success. We are equally clear and realistic about the far greater effort needed to gain the commitment of taxpayers, tax intermediaries, software providers and other stakeholders in a comprehensive modernisation of our Administration, in order to achieve real-time taxation. For example, businesses and the fintech industry would need to invest in their software and processes. However, Revenue expects that the efficiencies and commercial advantage that businesses would gain will make that investment worthwhile, without the need for a mandated approach. Our approach to the introduction of new models of interaction, including the initial release of the Revenue Online Service (ROS) was to provide facilities on a non-mandatory basis, initially allowing all stakeholders to recognise the benefits of adoption. In that context, it is reasonable to expect that highly digitalised enterprises would likely form a first 'wave' of early adopters of a VAT Modernisation initiative, for example.

Although we expect that the case for transformation will be compelling for most taxpayers, we will seek to repeat the consultative approach that was used from the outset of PMOD programme design, which was vital to building understanding and buy-in. That consultative approach also helped to ensure that Revenue took a taxpayer-centric approach to design and implementation. As a result, in our survey of employers post-PMOD implementation, 89% of employers agreed that PAYE Modernisation has made it easier to submit information and make tax payments to Revenue for their employees.

Public education and information campaigns will also be critical to maintain public trust during the transition to modernised tax administration and to clearly explain the impact on different groups of taxpayers. Some of these campaigns will likely need to extend beyond taxpayers to also cover welfare recipients and those in full-time education, building community-wide confidence in online services.

Delivery Risks

A strong governance model will be essential to managing the successful delivery of tax administration modernisation, including those aspects that depend on closer integration with welfare administration. Robust risk management will be critical, given the scale of change involved, including:

- Radical re-engineering of thousands of business processes to achieve the target taxpayer-centric model for taxation and welfare services;
- Future-proof and secure design of the data and systems required, followed by their phased implementation;

- Organisational and operational transformation, representing a considerable internal change management challenge, as well as extensive external communications and stakeholder engagement;
- Drafting of robust legislation that is comprehensive, future-proofed and capable of withstanding challenge or attempts at exploitation, avoidance and evasion;
- Maintaining business continuity and service delivery for both organisations' millions of customers during programme implementation.

Particular risks that may arise from closer integration between tax and welfare administration systems will potentially include the following.

1. New data protection risks from increased data being shared between Government bodies. Taking a taxpayer-centric approach will avoid many of these risks in the first place. Nonetheless, the risks will need to be carefully managed and addressed, and we must ensure a clear legal basis, supported by legislative change if necessary, for all data collection, sharing and processing.

Transparency to taxpayers on how their personal data is being processed and shared will also be critical. By implementing the simplest possible taxpayer-centric model of administration, we will seek to minimise data protection risks, and personal data use and sharing can be much more clearly explained to taxpayers.

2. Risks to public trust and understanding from the closer integration of taxation and welfare administration. A comprehensive public information education and communications programme will mitigate these risks, including clear explanations of the benefits to them of this integration, the coordinated public services available to them across both digital and non-digital channels, and the simplification of how taxes and contributions are calculated.

Delivery Sequence and Pace

Revenue's multi-year Technical Refresh programme is already underway, encompassing taxpayer-facing online services, internal administration systems and Revenue's extensive underlying infrastructure. The strategic priority that we have placed on this programme reflects how up-to-date technology and data management are fundamental to delivering our goal of the modernisation of our Tax Administration.

We have provided practical examples in this submission of future tax administration for illustration purposes, and below in [Figure](#) . However, our vision for the medium to long-term model of tax administration will need to be refined in the light of the recommendations of the Commission on Taxation and Welfare and Government decisions made on foot of those recommendations. When the target model is determined, the **sequence** of modernisation delivery will depend on Government policy and priorities.

The **pace** of modernisation delivery will depend on:

- Legislative change to underpin new tax administration approaches
- Investment in systems and change
- Change capacity of our public sector partners and our other stakeholders.

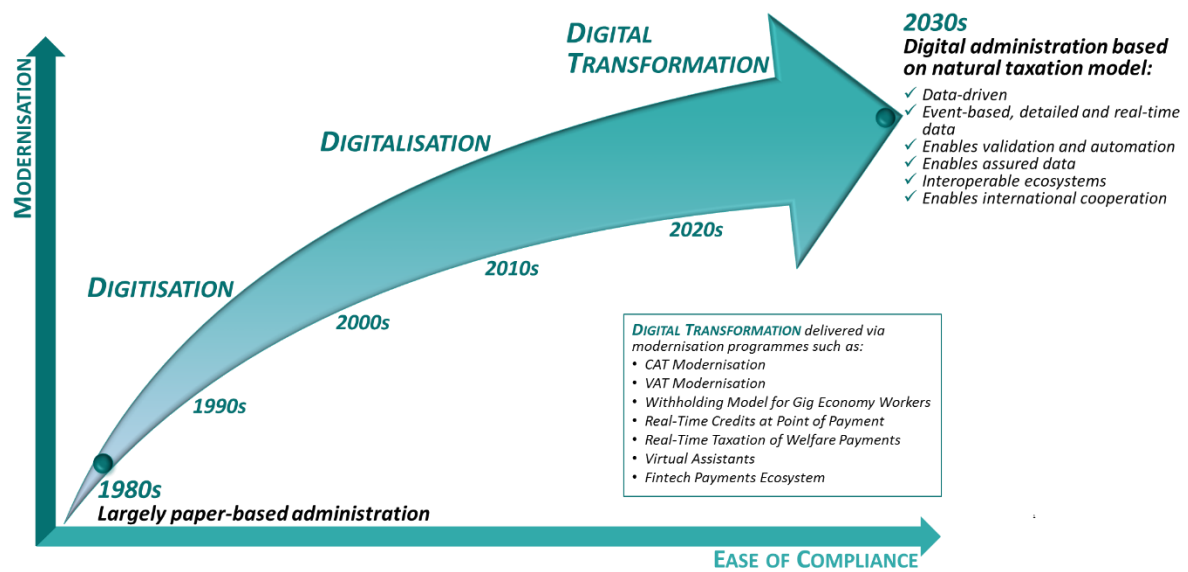


Figure 9